

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6155

BILL NUMBER: SB 7

NOTE PREPARED: Oct 30, 2006

BILL AMENDED:

SUBJECT: Sales Tax holiday for School Supplies.

FIRST AUTHOR: Sen. Alting

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides a Sales Tax exemption for school supplies, school art supplies, school computer supplies, and school instructional materials that are purchased during the four-day period beginning on the first Thursday in August.

Effective Date: January 1, 2008.

Explanation of State Expenditures: This bill will increase the administrative costs of the Department of State Revenue (DOR). The DOR will have to amend the Sales Tax forms, as well as update computer software. It is estimated that the provisions of this bill can be implemented within the existing level of resources available to the DOR.

Explanation of State Revenues: This bill is estimated to reduce Sales Tax revenue by approximately \$20.8 M in FY 2009 and \$22.0 M in FY 2010.

The bill provides a Sales Tax exemption for back-to-school purchases during the four-day period beginning the first Thursday in August at 12:01 A.M. and ending the following Sunday at 11:59 P.M. The impact of this bill will not begin until FY 2009 because the effective date is January 1, 2008, which means that the first exemption period would not occur until August 2008.

The first table below shows the revenue lost from each category of purchases that are exempted in the bill. The second table shows the impact on the funds included in the Sales Tax distribution.

Item Exempted	FY 2009 (in millions)	FY 2010 (in millions)
K-12 Supplies & Materials*	\$6.2	\$6.4
College Textbooks	\$6.8	\$7.5
College Supplies & Materials*	\$1.2	\$1.3
Computer Supplies	\$6.6	\$6.8
TOTAL	\$20.8	\$22.0
* The term "Supplies and Materials" includes all schools supplies, school art supplies, and school instructional materials as defined in the bill.		

Fund	FY 2009 (in millions)	FY 2010 (in millions)
General Fund	\$10.2	\$10.8
Property Tax Replacement Fund	\$10.4	\$11.0
Public Mass Transportation Fund	\$0.132	\$0.140
Industrial Rail Service Fund	\$0.007	\$0.007
Commuter Rail Service Fund	\$0.029	\$0.031
TOTAL	\$20.8	\$22.0

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: Department of State Revenue.

Local Agencies Affected:

Information Sources: National Retail Federation's *2006 Back-to-School Consumer Intentions and Actions Survey*; BIGresearch, July 2006. Enrollment statistics from the National Center for Education Statistics, http://nces.ed.gov/programs/digest/d04_tf.asp.

Fiscal Analyst: Adam Brown, 317-232-9854.